

Croatia Tripartite Dialogue Project
Final Technical Report
Prepared by MSI
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Workplan Objectives and Accomplishments

Overview: The main goal of the project was to build the capacity of the Economic and Social Council of Croatia (GSV) to be a significant participant in Croatia's policy reform initiatives. With the analytical and administrative support of the Office of Social Partnership (OSP), GSV representatives from business, labor and government would debate issues and strive towards consensus that would then be passed on as recommendations to policy makers and legislators in the government. During the first year of the project the MSI team was based within the OSP. This was a logical location since the OSP was supposed to be the primary agent facilitating the work of the GSV, and its members (tripartite bodies). Due to poor management and a lack of commitment by the Government and social partners, the OSP did not develop into an institution that facilitated the work of the GSV and its tripartite bodies. Therefore, in the second year, the MSI team moved out of the OSP and focused on improving the performance of the GSV and its tripartite bodies, developing Local GSVs, and improving labor dispute mediation. In spite of problems with the OSP, the Project did facilitate other positive developments affecting social dialogue and dispute resolution in Croatia.

The objectives and accomplishments of the MSI Team's work with the GSV and with the OSP are discussed below. A summary of the Project's performance indicators appears at the end of this report in Table 1: Croatia Tripartite Dialogue Project Performance Indicators.

1. Build skills among GSV members in key areas including: strategic planning, communication, negotiation, and use of policy research and analysis.

Achievements

The MSI Team began training activities for the GSV within the first month of the Project (October 2001). We first conducted a written survey of GSV members and GSV Committee members that included questions on training needs. Most members responded and we learned that priorities were collective bargaining, negotiation, and conciliation. Next we met individually with all active GSV members to do further needs assessment and discuss strategic planning, communication, negotiation, and policy issues.

In November 2001 we conducted our first training on negotiation and collective bargaining for GSV and GSV committee members. The training was well-received and resulted in the largest public sector trade union confederation and the Ministry of Labor both requesting further negotiation training, which we conducted in January 2002. This

was followed by communication and negotiation training by U.S. experts for GSV and GSV Committee members in February 2002, June and July 2003, and September and October 2003, as well as similar training for local GSVs and other social partners that was done by MSI staff regularly throughout the life of the Project.

We also trained facilitators to assist the GSV and GSV Committees and to help us change the culture of communication and negotiation in Croatia. Sixteen facilitators received 89 hours of training from October 2002 to June 2003. They subsequently facilitated GSV Committee meetings, workshops for social partners, and USAID project conferences and seminars.

The designers of the Project realized that one of the keys to improving the GSV's work was to assist them in strategic planning and management. To build understanding of the role of the GSV and how it should be organized and should plan its work, the Project brought well-known Irish social partnership expert Peter Cassels to Croatia in March 2002 and planned and organized study trips to Belgium in July 2002, Austria in November 2002, and Netherlands in February 2003. During these study trips the GSV members met with their counterparts and learned specifically how these countries developed their successful social partnership and dialogue.

Beginning in January 2002, the Project attempted to organize a strategic planning session. The first was held in Zagreb in March 2002, and was somewhat successful in building GSV members' understanding of strategic planning and its importance, although several members did not attend the entire session and no conclusions were reached. The second GSV strategic planning session was actually a retreat held in Briuni in October 2002. During the three day session that was planned and facilitated by the Project, GSV members developed their collective vision for Croatia in 2010, a mission statement, goals, and the beginnings of an action plan. They also agreed to improve their conduct at GSV meetings and develop a code of conduct and procedures. Unfortunately the President of the GSV, Goran Granic, was not present at the retreat and during the subsequent GSV session he did not have an understanding of the results from the retreat and led a free-ranging and rather negative discussion that undermined the retreat. After this experience we again tried to get strategic planning and management on track and organize GSV retreats, but they were cancelled by Government or Union members due to schedule conflicts. The MSI Team prepared and distributed to the GSV members and the OSP a document entitled "Recommendations for the Improvement of the GSV" and assisted the GSV to develop procedures, which were adopted on November 20, 2003. MSI's recommendations have led to improved use of GSV Committees and improved preparation for and conduct of GSV meetings.

In response to the needs assessment, we designed a series of economic and social policy workshops and a series of labor policy and law workshops for GSV members, GSV Committee Members, Office for Social Partnership staff, and social partners' experts. The economic workshops ran from June 14, 2002 to July 16, 2002 and the labor policy and law workshops ran from January 27, 2003 to March 13, 2003; both were very popular. They included substantive policy analysis, as well as techniques for

research, analysis, and writing. In response to demand, we followed up these workshops with monthly workshops on economic, social, and labor policy that ran until the end of the Project.

Lessons Learned

- In addition to conducting a needs assessment, TA providers must continually re-evaluate interest in, and demand for, assistance. Although the GSV identified management and communication as important areas for them, the GSV members did not show the appropriate interest in the retreats. We thus reallocated our resources to areas we were having the most success, e.g. labor mediation and local GSVs.
- Training is most effective when it includes representatives from all social partners and they can discuss issues. Such training leads to improved relationships and communication, and can often lead to resolution of disputes.
- Local experts should be used as much as possible. This strategy adds to the sustainability of our efforts by indigenizing the services and skills we bring to the project. We successfully tapped into a group of young economists and other social scientists that were familiar with modern training techniques and current thinking in economic, social, and labor policy. We did some training of these trainers and co-planned the trainings. In some cases, we used foreign experts to supplement these local trainers, particularly when the local expertise was insufficient.
- Facilitation is of great importance to a policy project, particularly one involving policy development through collaboration by multiple stakeholders. In Croatia, as in other transitioning countries, there is limited experience and appreciation of using facilitators to improve stakeholder interactions and increase the productivity of meetings, seminars, etc. In hindsight, the Project should have begun the facilitator training at the beginning of the Project so that facilitators could be used to improve all levels of social dialogue.

2. Gain national recognition of the GSV as an important institution in Croatia's policy making processes.

Achievements

From the very beginning of the Tripartite Dialogue Project in Croatia, we were able to see that the Croatian public demands changes and reforms. The developed democracies are more open to reforms and change is better if it is negotiated by multiple parties, namely the social partners. That indicated that the GSV could also play an important role in fostering, developing and maintaining social cohesion by joint work on important economic and social issues related to the benefit of the overall society. Thus, the Project decided to undertake the public opinion surveys, which were scheduled to be administered on a regular basis in order to get Croatian society's

reactions on reforms. The scheduled surveys also measured the peoples' impressions on the work of the GSV and OSP. The initial survey conducted in March 2002 set a base for the future work related to the recognition of importance of constructive tripartism in Croatia. The results of this survey showed that the majority of Croatians had not heard of the GSV or the Office for Social Partnership; in cases where they had, their position was negative. Following this survey, MSI developed a set of activities to improve the public image of the GSV and OSP. The main activities included constant PR advising and trainings to the Managing Director of OSP and the GSV leaders, and development of a web site and other PR tools that would be helpful in raising public awareness of the Croatian citizens about the importance of social partnership.

Unfortunately, the outcome of the above listed activities was not very impressive due to a lack of interest and cooperation from key social partners in the GSV as well as the OSP's Managing Director. We also could not get adequate cooperation from the Government's PR Office, mainly because the spoke persons often changed and there was a lack of coordination and consistency in PR messages. Thus, the overall picture of the social partners' role in development of Croatian society developed very slowly. Significant changes took place, as can be seen from the results of regularly conducted opinion polls. There is still room for improvement as the Croatian public does not fully trust the social partners and does not yet see the GSV as a crucial body for strategic planning for a better Croatian future.

MSI conducted three opinion polls during the period of the contract. The first poll took place in March 2002, the second in December 2002 and the final one in November 2003. All three polls consisted of the same type of questions and suggested answers:

- **What is your impression about the Economic and Social Council (GSV)?**
 - Possible answers: Never heard; Positive; Neutral; Negative
- **What is your impression about the Office for Social Partnership?**
 - Possible answers: Never heard; Positive; Neutral; Negative

The results of the opinion polls significantly improved from one poll to another as can be seen from the below cited figures:

Date	Type of Impression (percentages)			
	Never Heard	Positive	Neutral	Negative
<i>Impression of the GSV</i>				
March 2002	52.8	7.1	24.3	15.8
December 2002	55.4	6.7	26.0	11.9
November 2003	51.5	12.1	25.9	10.5
<i>Impression of the OSP</i>				
March 2002	50.2	8.0	27.5	14.3
December 2002	52.7	8.9	25.5	10.3
November 2003	47.3	13.4	29.1	10.3

Lessons Learned

- As politicians, GSV members are influenced by public opinion polls. The results of the polls helped motivate the GSV members to improve their behavior.
- The public in Croatia still looks to the Government as the primary driver of the economic and social reform process, but this perception can be changed through strategic public relations activities.

3. Develop a professional, team-oriented environment within the GSV and its tripartite bodies.

Achievements

As discussed above, the Project organized and facilitated strategic planning meetings, retreats, and study trips for the GSV and GSV Committees. These events did much to improve the communication and collegiality between GSV members. The study trips helped improve professionalism, as GSV members met members of Irish, Dutch, Austrian, and Belgian economic and social councils and saw and were influenced by their approach to issues before the councils. A representative from the Project also attended all GSV meetings and most GSV Committee meetings and provided feedback to the members. We also used our observations in preparing a report entitled "Recommendations for the Improvement of the GSV." The GSV is now operating according to written procedures and meetings are better managed and more efficient. Nonetheless, further improvement should be made, particularly in members' preparation for the GSV meetings and GSV Committee meetings (preparation for the latter is better but is still inadequate), and in individual GSV members' dealings with the media, which often undermine the team-oriented environment.

Lessons Learned

- Getting GSV members out of their normal environment is the best way to build cooperation and a team-oriented environment.
- Exposing GSV members to successful and professional economic and social councils has tangible improvement on GSV members' professionalism and attitude toward social dialogue and partnership.

4. Develop the administrative capacity of the OSP to support the work of the GSV and its tripartite bodies.

Achievements

The Project began working with the Head of the OSP, Vito Begovic, immediately upon his appointment on December 5th, 2001. By the end of that month, the OSP's office was open and operating, with all support services for the GSV, its committees and other

tripartite bodies done by Project staff and Mr. Begovic. During the period until June 2002 when the OSP finally hired its first professional staff person, the Project provided administrative assistance to the GSV. At the same time, the Project assisted the OSP to improve its capacity to support the GSV and its tripartite bodies by providing information technology and other equipment, training on use of the equipment, and training on strategic planning and management. After the OSP professional staff were hired, (a junior economist and mid-level lawyer) the Project intensified the training so that administrative support for the GSV could be transferred from the Project to the OSP. The OSP did an adequate job of coordinating GSV and GSV committee meetings, with agendas and minutes usually sent in a timely manner. However, the OSP strayed into other areas, like attempting resolution of major labor disputes, and became somewhat politicized, resulting in a loss of the necessary perception of the OSP as unbiased.

Lessons Learned

- Administrative support is one of the easiest tasks for a secretariat like the OSP to take on, and thus it need not be a major area of focus for a project supporting a deliberative body like the GSV.
- “Mission creep” by a secretariat like the OSP can damage its core purpose and in turn undermine the impact of the organization it supports, in this case the GSV. Greater involvement and commitment from the Croatian Government’s side could have helped prevent this from happening. In future, USAID might consider a more strongly stated memorandum of understanding with the Government or other relevant overseer as to the scope of activities and expected results of the secretariat.

5. Establish analytical support services within the OSP that provide timely and high quality information to the GSV.

Achievements

During the first year of the Project this was a major area of focus. Unfortunately, the experts for this function were not hired until June and November 2002 respectively. Thus, until November 2002 the Project provided studies and analyses to the GSV on topics that they were considering. Our expectation was that these tasks would be transferred to the “expert unit” when two to four experts were hired. Once two persons were hired, we immediately began training and mentoring them. However, we lacked cooperation from the Head of the OSP, who used one expert for secretarial and clerical duties rather than analytical services, and assigned the other expert to organize and attend all GSV committee meetings and responded to the numerous requests for assistance sent by workers to the OSP. As a result, little research was done and a precedent for administrative use of these experts was established, seriously compromising a critical service the OSP in providing unbiased research and analysis to the GSV. Unfortunately, the GSV appears to have lost confidence in the Head of the

OSP, and they would likely be suspicious of any research or analysis coming from the OSP until such confidence could be regained.

By the end of the first year of the Project (October 2002) it was apparent that the OSP would not be a partner in ensuring that there was a sustainable capacity to supply the GSV with unbiased quality research and analysis. Thus, we redesigned the project to work directly with the GSV to improve its members' capacities to conduct and communicate research and analysis on economic, labor, and social policy issues. We also worked with local experts and think tanks to build a connection between their research activities and the GSV's needs. Several economists and the Institute for Public Finance are working on issues that are, or should be, priorities for the GSV. The formal papers that resulted from the Project's work and the work of the local experts and think tanks are posted on the website that the Project developed for the OSP and GSV at www.socijalno-partnerstvo.hr.

Lessons Learned

- As demonstrated by the successful work of the social partners in Ireland, Belgium, Netherlands, and Austria, research and analysis are among the most important factors in building social partnership. Thus it is necessary to set up an arrangement for unbiased research and analysis to be performed, either through a secretariat like the OSP, outsourcing to think tanks and experts, or through collaborative work between social partner experts as is done in Austria.
- The most important counterpart for the project, the head of the OSP, was not suited for the job and was incapable of building a secretariat that met the needs of the GSV. In future projects of this sort, USAID should have input on the selection of such a key counterpart and/or a memorandum of understanding regarding the secretariat's scope of work and staffing.

6. Establish a labor conciliation capacity within Croatia.

Achievements

The Project's mission to improve labor dispute mechanisms was very successful. It was easy to recognize a need for an alternative approach to labor disputes in Croatia. Since Croatia is a transitional country with a problematic privatization procedure, the numerous cases of difficult collective labor disputes emerged nationwide on an almost daily basis. The great demand for these services more than justified the resources and time we put into creating a cadre of good mediators; the demand, in fact, can't yet be met by the existing supply.

Before our involvement, GSV had a list of 137 mediators who were supposed to resolve collective labor disputes but the overall process did not function and few if any disputes were being resolved. Thus, reforms of mediation in collective labor disputes were urgently needed. By organizing several study trips, namely to Ireland and Hungary, the

Project exposed the Croatian social partners and their legal experts to different models to consider when developing one to suit Croatian needs. Beginning in December 2001, the Project worked closely with the social partner experts and leadership to design and form their own labor dispute resolution model. Despite resistance from and obstacles created by the Head of the OSP, the Project initiated changes in mediation law and procedure and began training mediators at the end of 2002. After several trainings conducted by the American experts in alternative dispute resolution in labor cases, 17 candidates were approved by the GSV to the new official list of mediators in June 2003 and were ready to start to work on resolving disputes. Within these newly appointed 17, five top mediators were sent to Columbus, Ohio to learn from experts in mediation and arbitration within the Ohio State Employment Relations Board and later on transfer that knowledge to the Croatian colleagues. Our support for mediation was very successful. Throughout the last six months of 2003, new mediators were involved in 58 cases out of which 75% was successfully solved. Since the need for mediators significantly rose during the second half of 2003, the Project initiated training for an additional 19 mediators.

The uses and advantages of mediation, and the success stories, were communicated to users, stakeholders and the general public as part of the Projects PR activities.

Overall, we can conclude that a tremendous improvement occurred in the field of mediation. By cooperation with the social partners, the Project managed to:

- Adjust the legislative procedures important for the implementation of mediation in everyday business (Labor Code and the Statue on Mediation in collective labor disputes);
- Set standards for mediators to join the GSV list, including specific training requirements to be officially approved by the GSV;
- Streamline administration of labor mediation procedures;
- Establish a system for tracking statistics on mediation/ADR; and
- Helped establish a procedure by which mediators can receive a small but significant fee from the Ministry of Economy, Labor and Entrepreneurship for their services.

Most importantly, the Project has helped alter the perception that mediation doesn't work in Croatia or transition countries in general. We now have evidence that when stakeholders work with outside experts to design an ADR system that fits local needs, training is properly targeted, and uses and successes are publicized, ADR can be successful in Croatia and the region.

Lessons Learned

- It is important to involve stakeholders in designing and adapting ADR to local conditions. Outside experts can facilitate this using their expertise, but local "buy in" is crucial a) to explaining how mediation can work, 2) to demonstrating its potential, and 3) to creating enough interest to sustain it into the future.

- Two other inputs are also crucial to success: a good process for selecting qualified ADR training candidates, and a good training design. The MSI Team was able to bring in good expertise for this purpose. We also took time and care in selecting the right local professionals for the training.
- Like any type of professional service, the better educated are the consumers, the better will be the products they demand and get. A key component of our approach was to help build this demand through public education and publicizing successes. It's a lesson, in fact, which applies to most aspects of USAID's work in promoting social dialogue.

Table 1: Croatia Tripartite Dialogue Project Performance Indicators

Expected Result	Achieved?	Explanation
Rising demand for mediation and dispute resolution mechanisms adopted by GSV.	Yes	<p>The Project's mission to improve labor dispute mechanisms was very successful. During Project start-up it was discovered that reforms of mediation in collective labor disputes were urgently needed. At that time, GSV had a list of 137 mediators who were supposed to resolve collective labor disputes but the overall process did not function and few if any disputes were being resolved. Beginning in December 2001, the Project initiated changes in mediation and began training mediators at the end of 2002. After several trainings conducted by the American experts in alternative dispute resolution (ADR) in labor cases, 17 candidates were approved by the GSV to the new official list of mediators in June 2003 and were ready to start to work on resolving disputes. Throughout the last six months of 2003, new mediators were involved in 58 cases out of which 75% was successfully solved. Since the need for mediators significantly rose during the second half of 2003, the Project initiated training for an additional 19 mediators.</p> <p>Overall, a tremendous improvement occurred in the field of mediation. The legislative procedures were adjusted (Labor Code and the Statute on Mediation in collective labor disputes); mediators are educated and officially approved by the GSV; administration of labor mediation has been streamlined; statistics are being tracked; and mediators are receiving a small but significant fee from the Ministry of Economy, Labor and Entrepreneurship for their services. Most importantly, mediation has been demonstrated to be very successful in Croatia and has resolved many disputes that would otherwise cause labor unrest. Croatian labor mediation has become an example for dispute resolution in other types of disputes in Croatia and throughout the region.</p>
GSV Recommendations reflected in legislation and policy decisions (This has a two-part answer: yes and no/yes)	First Part: Yes	Based in part on the Project's recommendations for management reforms, throughout 2003 social partners managed to improve the work of GSV Committees. GSV Committees became a key place for social partners' experts to discuss social and economic issues, namely related Laws and Policies. Recommendations made by the specific Committee are delivered to the GSV; GSV elaborates them and makes the final amendments for the Government or Sabor (Parliament). Thus, social partners were successful in making contributions to several Laws, such as the Law on conciliation, Law on the Protection at Work, Labor Code, Law on the Post Service, Law on the Bankruptcy Procedure, Law on the

Table 1: Croatia Tripartite Dialogue Project Performance Indicators

Expected Result	Achieved?	Explanation
	<p>-----</p> <p>Second Part: No/Yes</p>	<p>Execution of Power (Enforcement), etc.</p> <p>-----</p> <p>The first two months of 2004 was a transitional period for a new Government. Only three GSV Sessions were held. The GSV Committees have not had any sessions primarily because the Government failed to appoint their representatives. The comments made by the social partners at the first two GSV sessions were taken under consideration of the Government. The Government promised publicly to cooperate with the social partners on all the important issues related to the economic and social policy as well as the accession to the EU. The only lack of cooperation and a proof that the procedural problems still exist were reflected in the discussion about State budget. Social partners were not included in preparation of the Budget but, on the other hand, got the finished Budget at the same time as the MP and other members of the Government.</p> <p>Thus, we can make a preliminary assumption that the GSV recommendations/comments will continue to be reflected in changes of legislation and policy decisions (VAT, Position of women at the labor market, Budget etc.) once the new Government finds a way to adjust to governing (and hopefully improves legislation procedures).</p>
Fully functioning of GSV&OSP achieved OSP expert unit analysis is used by GSV members.	No	<p>Although the GSV and OSP were set up and functioning during the term of the project, the OSP did not develop the capacity or ability to provide expert analysis to the GSV. The Project provided weeks of training on economic and social policy analysis to OSP staff and authored numerous studies and analyses that were used by the GSV, but the head of the OSP showed neither ability nor desire to be involved in providing this service to the GSV. After more than two years of functioning the OSP failed to establish the expert unit. Therefore it appears that barring major changes, unbiased research and analysis will not be not produced by the OSP. The Project also provided intensive training to social partners' experts on economic and other policy analysis and those experts are providing much better quality analysis that is used by the GSV.</p>